

Packers and Stockyards Programs



*Promoting a fair and competitive
marketing environment for
livestock, meat, and poultry through
enforcement of the Packers and Stockyards Act.*

- *Competition*
- *Trade Practices*
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Competition

Overview

GIPSA's P&SP Competition Program focuses on enforcing provisions of the P&S Act that prohibit anticompetitive behavior. The provisions of the Act that address anticompetitive behavior are contained primarily in Section 202 of the P&S Act.

Enforcement Activities

In addition to initiating independent reviews and market analysis, P&SP's Competition Program investigates all complaints alleging anticompetitive behavior as defined by its authorities under the P&S Act. Currently P&SP is engaged in reviews and investigations of conduct that falls into two broad categories: Pricing and Procurement Practices, and Market Participation and Behavior. GIPSA receives many complaints about issues such as concentration and mergers that may relate to competition but do not involve potential violations of the P&S Act and do not result in formal investigations. During fiscal year 2002, P&SP evaluated the merits of 58 complaints regarding potential anticompetitive practices in violation of the P&S Act. Competition investigations tend to be complex and often require sophisticated economic modeling and analyses. In FY 2002 P&SP's Competition Program evaluated complaints regarding: attempted restriction of competition, failure to compete, buyers acting in concert to purchase livestock, apportionment of territory, price discrimination, price manipulation, and predatory pricing. P&SP is conducting investigations and market surveillance to identify possible violations of the P&S Act and to keep abreast of constantly evolving pricing and procurement practices. In FY 2002 P&SP's Competition Program completed evaluations of 33 of 58 competition complaints. One resulted in a letter of notice that brought the party into compliance, and the other 32 did not reveal violations of the Act.

Pricing and procurement practices are becoming increasingly complicated and increase the possibility of unlawfully exercising market power through those practices. The Competition Program has a number of enforcement initiatives underway as a result of complaints, or of its on-going surveillance of the industries' use of pricing and procurement practices. Examples include the following: an assessment of the ability to use marketing and production contracts to exercise market power in a manner prohibited by the P&S Act, an evaluation of possible reciprocal dealing and tying arrangements, an identification of pork procurement and pork pricing arrangements, and inquiries into alleged buyer collusion and alleged attempts to exclude competitors from markets.

Competition Program Initiatives

In addition to its evaluation of complaints, the Competition Program participates in a number of initiatives to remain proactive and aware of changing conditions in the markets it regulates, by providing its staff with the necessary knowledge and expertise to function effectively, coordinating its efforts with other governmental units, and effectively communicating with its various stakeholders.

Competition Program units at headquarters and regional offices are compiling, reviewing, and analyzing contracts between packers or poultry integrators and producers and growers. They are looking at the contractual relationships of producers who supply fed cattle or hogs for slaughter, or who supply poultry grow-out services in: fed cattle marketing agreements, hog marketing contracts, and broiler grow-out contracts.

The Competition Program also provides economic investigative expertise in support of investigations conducted by other government agencies, and assists in report preparation and responses to Congressional directives. Following the events of September 11, 2001, there was a sharp decline in livestock prices. P&SP and the Commodity Futures Trading Commission (CFTC) jointly conducted an investigation to determine if packers were taking advantage of the situation in violation of the P&S Act. The investigation found that price declines were due to other factors. P&SP and CFTC also conducted a joint market review of insider trading in the cattle cash and futures market based on rumors of foot and mouth disease. P&SP also attends CFTC Commissioner briefings for cattle, hog, and meat futures.

Trade Practices

Overview

One of GIPSA's responsibilities under the P&S Act is to promote fair business practices in the marketing and procurement of livestock, meat, and poultry, and determine if unfair or deceptive practices are occurring. P&SP's Trade Practices Program conducts trade practice investigations of auction markets, livestock dealers and order buyers, slaughtering packers, live poultry dealers, meat dealers and brokers, processors, and distributors.

Registration and Bonding

The P&S Act requires registration of any person engaged in the business of a market agency, dealer, or buyer of livestock for slaughter as an employee of a packer. As part of the registration, market agencies and dealers are required to be bonded. Packers are not required to register but packers purchasing more than \$500,000 per year are required to be bonded. Firms furnishing stockyard services are required to be posted and file a schedule of charges.

The following table shows the number of packers, packer buyers, registrants, and posted stockyards and the value of bonds for the past 3 years.

	FY 2000	FY 2001	FY 2002
Posted Stockyards	1,519	1,525	1,510
Market Agencies/Dealers	6,380	6,250	6,024
Packer Buyers	2,039	2,051	2,064
Bonded Packers	366	339	339
Value of Bonds (millions)	\$537	\$560	\$573

Weight and Price Manipulation

Any arbitrary change in the purchase weight, whether by adding to the actual weight of the livestock or failing to pass on a shrink allowance, is an unfair and deceptive practice. Any arbitrary increase in the purchase price, either in purchases on order or sales based on cost plus an agreed margin, is an unfair and deceptive practice. In FY 2002, the Trade Practices Program conducted 63 investigations of livestock dealers and order buyers. Corrective action was taken where discrepancies were found.

Accurate Weights

The Trade Practices Program enforcement efforts in this area are directed at accurate scales, and detection of improper and fraudulent use of scales. In most cases, the scales are tested by State and private testing agencies following testing procedures developed in cooperation with the National Conference on Weights and Measures (NCWM), and with test weights whose accuracy is traceable to the U.S. Department of Commerce, National Institute of Standards and Technology (NIST). The scales must meet performance requirements developed in cooperation with NCWM and NIST. The Trade Practices Program conducts training schools for test agencies with NCWM National Training Program-certified instructors. Test reports are analyzed and tests are periodically supervised to ensure that they accurately reflect the performance of the scale under normal use conditions.

Since 1988, 31 training schools provided technical training to 526 officials from 50 States and the Navajo Nation. Informal instruction is routinely provided upon request to State and private test agencies. In FY 2002, the Trade Practices Program conducted one training school for State and local weights and measures officials from two States. A total of 30 individuals attended the training school. In FY 2002, Trade Practices Program employees received and responded to 20 requests for technical assistance.

Accurate Scales

Market agencies, dealers, packers, and live poultry dealers are required to maintain their scales in an accurate condition. The P&S Act and regulations require scales to be tested at least semi-annually at intervals of approximately 6 months, by competent persons, with test results filed with P&SP. A total of 3550 livestock, monorail, vehicle, and feed hopper scales were in use by the close of 2002. Last year, 3,457 subject scales were tested two or more times. Of the scales tested during FY 2002, 97 percent complied with performance requirements. Scales not found in compliance were adjusted, repaired, or replaced by private scale companies. In FY 2002, P&SP employees supervised the testing of 29 scales to determine that proper test procedures were followed and that the scales were in compliance with applicable performance requirements. Of the scale tests supervised, seven or 24 percent were found not to be in compliance. P&SP required the inaccurate scales be promptly adjusted, repaired, or replaced as necessary to bring them into compliance. The Trade Practices Program analyzed 7,463 test reports of subject scales for compliance with testing procedures and accuracy requirements. Reports of tests revealed that 93 were questionable and 9 were unacceptable. Appropriate action was taken to bring them into compliance.

Weighing Investigations

A major emphasis of the Trade Practices Program is the detection of improper or fraudulent use of scales. In FY 2002, 130 livestock checkweighing investigations were conducted at livestock auction markets, and dealer and packer buying stations; 9 carcass checkweigh investigations were conducted at the operation of slaughtering packers; and 74 poultry checkweighing investigations were conducted at live poultry dealers. Approximately 9 percent of the investigations disclosed false or incorrect weighing, with appropriate corrective action being taken.

New Market Orientations

P&SP attempts to meet with new auction market owners and managers as soon as possible after operations begin. These visits ensure that market operators understand their fiduciary responsibilities under the P&S Act, and that they are operating in compliance with the P&S Act and regulations. These visits in the early stages of a market's operations also provide important protection to livestock producers who rely on the market to be a competitive marketplace. In FY 2002, GIPSA conducted 32 new market orientations.

Feed Mill Orientations

Feed mill orientations help ensure that feed mill operators are aware of the regulatory requirements regarding feed weights used in the calculation of producer/grower payments, and thus help ensure that the feed weights are accurate. During FY 2002, P&SP visited the operations of 12 feed mills, representing 12 different poultry complexes. Information gathered during these orientations is used to plan future feed weighing violations and is also valuable in evaluating and investigating complaints received involving feed delivery to, or feed pickup from producers/growers.

Contract Poultry Arrangements

During FY 2002, the Trade Practices Program investigated the operations of 53 live poultry dealers. Nearly 60 percent of these investigations were the result of complaints received from contract growers. GIPSA is currently investigating the various payment terms incorporated into poultry growing arrangements. These investigations are designed to determine whether the contract settlement terms of live poultry dealers are deceptive or unfair to the growers who grow poultry under these agreements.

Reparations

Anyone believing an action of a stockyard, market agency or dealer has caused personal loss or damage in violation of the P&S Act may file a complaint seeking reparation (damages) with P&SP within 90 days of when the complainant learned of the action that caused damages. Reparation complaints may not be filed against packers, live poultry dealers, or swine contractors. At the beginning of FY 2002, there were 17 docketed reparation complaints pending in which the complainants were seeking reparations in the amount of \$236,628.40. During FY 2002, six additional actions were docketed or reopened in which the complainants are seeking reparation in the amount of \$293,802.80. During FY 2002, two dockets were closed. At the end of FY 2002, 21 dockets, in which complainants are seeking \$447,771.45 in reparations, are pending.

**Trade Practices
Program Initiatives**

American Society for Testing Materials International (ASTM).

Carcass evaluation devices are used to estimate percent lean in livestock carcasses for over 84 percent of the hogs purchased in the United States. The estimated percent lean is used to determine premiums/discounts in formulas to price livestock purchased on a grade and yield basis. Some slaughtering packers also use the information developed by evaluating devices to establish their live weight price. Currently there are no established, verifiable and traceable standards in use to determine the accuracy of carcass evaluating devices. GIPSA, with assistance from the ASTM, is working with stakeholders to develop such standards. ASTM, a not-for-profit organization that was established in 1898, provides support services and facilitates stakeholders' development and publication of voluntary consensus standards for materials, products, systems, and services. ASTM Committee F10 on Livestock, Meat, and Poultry Evaluation Systems was formed to develop the standards and met three times in FY 2002.

FSIS/FDA Teaming on Drug Residues in Calves and Cows. It is a violation of the P&S Act for a livestock dealer or market agency to knowingly sell livestock for slaughter for human consumption with an illegal drug residue or an illegal amount of a drug approved by the Food and Drug Administration without disclosing this to the buyer. P&SP has entered into an agreement with Food Safety and Inspection Service (FSIS) for FSIS to provide upon request the names of firms where illegal drug residues are found in calves and/or cull dairy cows. FSIS is the agency in the U.S. Department of Agriculture responsible for ensuring that the Nation's commercial supply of meat, poultry, and egg products is safe, wholesome, and correctly labeled.

Joint P&SP and FBI Investigation. P&SP and the Federal Bureau of Investigation (FBI) jointly investigated the case of George Young and Kathleen McConnell. Young and McConnell allegedly engaged in a scheme to defraud cattle feeders and bankers. On November 7, 2002, the Office of the U.S. Attorney in Kansas City, Missouri, announced a five-count indictment of Young and McConnell related to a phantom cattle scheme.

Financial Protection

Overview

The Financial Program supports the financial integrity and stability of the livestock, poultry, and meatpacking industries through enforcement of the P&S Act and regulations. Financial investigations address issues of payment to sellers of livestock and poultry, maintenance of custodial accounts, solvency, trusts, and issues related to the maintenance of a bond or bond equivalent.

Financial Integrity

Under the P&S Act, a regulated entity must be solvent (current assets must exceed current liabilities). Live poultry dealers are specifically excluded from the solvency requirements. Solvency requirements of the P&S Act are enforced through the review of annual reports filed by subject entities and by on-site financial investigations. During FY 2002, regional offices conducted 6 on-site investigations of financial records and reviewed the financial statements (and other information) in over 6,000 annual reports. The investigations and annual report reviews indicated 247 firms were insolvent in the amount of \$381,392,250 (this is the net excess of total current liabilities over total current assets for the 247 firms). Through the work of the P&SP Financial Program, 74 of the insolvencies, in the amount of \$23,549,556, were corrected. An additional 7 insolvencies were reduced by an amount of \$3,014,576. The remaining 166 firms may be grouped in the following categories:

- Working with the firms to correct the insolvencies. Formal action is initiated when appropriate.
- Discontinued operations due to financial failure.

Payment Practices

The P&S Act requires that every dealer, market agency, and packer make payment for livestock before the close of the next business day following purchase. Additionally, the P&S Act establishes specific payment delivery requirements for livestock purchased for slaughter. Buyers cannot use threats or intimidation to influence the terms of payment.

Drafts issued in payment for livestock do not meet the prompt payment requirements. Before packers, market agencies, or dealers can issue a draft in payment for livestock, they must enter into a written credit agreement with the seller. If the livestock is purchased for slaughter, the buyer must also obtain a written acknowledgment from the seller waiving trust rights.

During FY 2002, P&SP investigated 60 firms or individuals owing 541 sellers \$22,592,977 for unpaid livestock purchases. (P&SP is continuing to investigate the validity of some alleged unpaid amounts owed for livestock). Payments from bonds and other sources reduced the unpaid amount to \$21,714,776. Additional payments may be made in the future from bonds, packer/poultry trust payouts, and other sources. Due to the uncertainty and unpredictability of future events, which may include further investigation and/or formal action by P&SP, the amount of future recoveries cannot be

determined.

Custodial Accounts

A bank account entitled “custodial account for shippers proceeds,” commonly referred to as a custodial account, must be established and maintained by market agencies selling livestock on commission (auction markets) as a depository for proceeds from the sale of consigned livestock. It is a trust account and the auction market has a fiduciary responsibility to safeguard the account and make timely distribution from it to livestock sellers. Auction markets are required to maintain this account in balance at all times. The Financial Program monitors custodial accounts through annual reports, special custodial analysis reports, and on-site audits of the custodial accounts.

During FY 2002 P&SP conducted reviews of 1,696 reports and conducted 206 on-site investigations of custodial accounts. The reviews disclosed a total shortage of custodial funds in the amount of \$8,999,870. Through the Financial Program compliance efforts, the auction market operators restored \$4,320,562 to the custodial accounts to reduce the custodial shortages. The remaining custodial shortage amount is continuing at the end of the fiscal year, and subject to continuing P&SP monitoring, with formal action when appropriate. In some cases, the firms failed financially, and discontinued operations owing livestock consignors.

During FY 2002, P&SP investigated complaints against 60 firms or individuals owing 541 sellers \$22,592,977 for unpaid livestock purchases. Included in this amount is an ongoing packer trust investigation with claims of \$16,149,527 for unpaid livestock purchases. Sellers recovered \$878,201 from bond and other payments, leaving a loss during FY 2002 of \$5,565,249. This includes 17 financial failures in which entities ceased operations while owing \$4,353,996 to unpaid sellers of livestock.

Packer and Poultry Trusts

The P&S Act establishes a statutory (floating) trust on certain assets of a packer or poultry processor for the benefit of unpaid cash sellers of livestock and poultry. The packer or poultry processor is the trustee of the statutory trust. The trust includes all livestock or poultry, inventories of, or receivables or proceeds from, meat, meat food products, and livestock or poultry products.

In FY 2002, P&SP analyzed eight packer trusts and one poultry trust. Trust claims were received from 63 livestock sellers and one poultry seller totaling \$15,670,943. The status of the nine packer/poultry trust claims follows:

Trust Claims

Total Amount of Trust Claims Filed		\$15,670,943
Amount Paid by Bond	\$50,000	
Amount Paid by Other Sources*	\$102,273	
Amount of Trust Claims Withdrawn	\$83,026	
Claims Pending**		\$15,435,644

* Other sources generally consist of payments by the packer/poultry processor.

** Pending claims are awaiting completion of trust analyses and determination of the validity of the trust claim. Claims are continuing to be filed against one trust. Due to the uncertainty and unpredictability of future events, which may include further investigation and/or formal action by P&SP, the amount of future recoveries cannot be determined.

Packer and Registrant Bond Claims

All registrants (market agencies and dealers) and slaughtering packers purchasing over \$500,000 in livestock yearly maintain bonds on file with P&SP for the protection of livestock sellers. During FY 2002, 811 claimants filed claims totaling \$30,898,356. The status of the bond claims filed follows:

Total Amount of Bond Claims Filed		\$30,898,356
Bond Payout	\$613,385	
Claims Denied or Withdrawn	\$1,073,426	
Claims Pending*		\$29,211,545

* Pending claims are awaiting completion of bond analyses and determination of the validity of the bond claim. Claims are continuing to be filed against one bond. Due to the uncertainty and unpredictability of future events, which may include further investigation and/or formal action by P&SP, the amount of future recoveries cannot be determined.

Corrective Actions

Most violations of the P&S Act are found in investigations initiated by P&SP and are corrected voluntarily by the individuals or firms when the violations are brought to their attention. In FY 2002 P&SP conducted 601 financial investigations. As a result of the financial investigations, livestock and poultry sellers recovered \$4,039,338.

Reports and Research

Assessment Report to Congress

GIPSA prepared and provided Congress with a report titled “Assessment of the Cattle and Hog Industries, Calendar Year 2001.” The report delivered in 2002 was the second annual report of its kind prepared for Congress. The report describes the general economic state of the cattle and hog industries, changing business practices in these industries, and areas of concern under the P&S Act.

The report indicates that substantial changes are occurring in industry structure and the behavior of firms in the livestock and meatpacking industries. Feeding is more concentrated and feeding operations have gotten larger. At the same time, packing industry concentration has increased and packing plants have gotten larger. Market participants at all stages of the live animal and meat production industry are using more sophisticated vertical coordination and more varied pricing arrangements to exchange goods. Technological developments, changes in consumer demand, and other competitive forces drive many of the changes. Many of the changes are healthy for the industries involved, for consumers, and for the Nation as a whole. These changes also bring the potential for packers, dealers, and market agencies to engage in activities that would be prohibited under the P&S Act.

Areas of concern include: packers acting in concert to restrict competition, short cattle trading windows, shared agents, formula and grid pricing methods, thin spot markets, pricing formulas under Mandatory Price Reporting, captive supplies, market access and price inequalities, unfair treatment in contracts, carcass evaluation, e-commerce, string sales (making the purchase of some livestock conditional on the purchase of other livestock), payment delays due to drug residue testing, retaliation, and auction market stability.

GIPSA is addressing these concerns by monitoring changes in the industry structure and behavior, and investigating practices that appear to be unlawful under the P&S Act. GIPSA also may undertake regulatory initiatives to assure effective enforcement of the P&S Act. In addition, GIPSA uses research and analysis, and other tools to assess the economic, competitive, and trade practice implications of the structural and behavioral changes.

Captive Supply Report to Congress

GIPSA prepared a report on captive supplies in response to a Congressional mandate in the 2001 Agricultural Appropriations bill. The report, “Captive Supply of Cattle and GIPSA’s Reporting of Captive Supply,” clarified GIPSA’s definition of the term “captive supply,” and compared GIPSA’s captive supply statistics to statistics published by other organizations, including USDA’s Agricultural Marketing Service. The report also compared 1999 procurement transactions data of the four largest beef packers to summary captive supply data the packers submitted to GIPSA.

The report made the following points. Differences in captive supply

statistics reported by various organizations resulted from conflicting definitions, variations in the geographical bases of the data collection, and differences in time periods covered by the statistics (weekly versus annual).

GIPSA's analysis of the four largest beef packers' 1999 transactions data revealed that the summary captive supply statistics the packers reported to GIPSA included cattle procured from non-reporting subsidiaries, affiliates, owners, and employees, if the animals were procured through a captive supply arrangement. GIPSA found that in 1999 captive supplies accounted for 32.3 percent of the four largest beef packers' total slaughter rather than 25.2 percent, as reported in the packers' annual reports to GIPSA. The data discrepancies were attributed to misunderstandings about captive supply definitions and computational errors.

GIPSA will publish its definition of captive supplies to facilitate and encourage discussion of what is the most appropriate definition. GIPSA defines captive supplies as livestock that is owned or fed by a packer more than 14 days prior to slaughter, livestock that is procured by a packer through a contract or marketing agreement that has been in place for more than 14 days, or livestock that is otherwise committed to a packer more than 14 days prior to slaughter.

Statistical Report

GIPSA prepared a statistical report on the livestock and meatpacking industry covering reporting year 2000. The report provides data on industry concentration, plant size, packer financial performance, and number of animals purchased by source of supply – public and non-public markets. Public markets are terminals and auctions; nonpublic markets include all other sources of livestock. Most of the data are reported by type of animal and/or State or geographic region. The report includes data on slaughtering packers; market agencies buying or selling livestock on commission, including auction markets and selling agencies at terminal stockyards; and livestock dealers buying and selling livestock for their own accounts.

The report shows that the number of meat packers reporting to GIPSA (those purchasing more than \$500,000 of livestock for slaughter per year) has fallen over time, from 497 firms operating 623 plants in 1990, to 247 firms operating 326 plants in 2000.

Concentration of the four largest steer and heifer slaughterers rose from about 36 percent in 1980 to a high of 82 percent in 1994 and has remained relatively stable since then. Four-firm concentration in hog slaughter rose from about 34 percent in 1980 to 55 percent in 1996 and has leveled off at about 56 percent since then. Four-firm concentration in sheep and lamb slaughter rose from about 56 percent in 1980 to a high of 78 percent in 1992 and has since declined to about 67 percent in 2000.

The report includes information concerning the four largest steer and heifer slaughterers' use of forward contracts, marketing agreements, and packer feeding, collectively referred to as captive supplies. The four largest firms' use of forward contracts and marketing agreements rose from 24 percent of their total steer and heifer procurement in 1999 to about 29 percent in 2000. Packer feeding of steers and heifers by the four largest firms increased by less than 1 percentage point to about 9 percent in 2000. Overall, the use of all forms of captive supply by the four largest firms rose less than 6 percentage points in 2000 to 38 percent, its highest level.

Research Projects

GIPSA supports a small number of research projects that have the potential to contribute knowledge and understanding relevant to the Agency's mission. The findings of the studies reflect the views of the authors and are not necessarily those of the Agency.

Two cooperative agreements with universities for research were completed during FY 2002. One project (Utah State University) examined possible use of market power by beef packers and reported finding evidence that keeping plants operating at a steady level is more important to packers than cattle and other input prices, suggesting that the standard tests for market power are not valid. The researchers reported at a conference in August 2002 that, while individual feedlots tend to sell to a single plant, selection of which packer to sell to can be explained by factors that are not related to packers' market power.

Another research project (Wyoming State University) that was completed during the year examined bidding behavior in a controlled (laboratory) setting to gain insights about expected behavior in actual markets. The researchers reported that, in an experimental setting, prices were lower when there were a limited number of buyers than when several buyers bid against each other. They report that interaction among buyers further lowered the price, but there was little or no price-reducing effect if the buyers did not know the number of livestock available for sale. The authors expect to report their findings in the *American Economic Review* shortly.

Researchers at Iowa State University and the University of Nebraska, who worked on a 1999 GIPSA study of fed cattle procurement in the Texas Panhandle, have conducted followup analyses of (1) how a packer's use of captive supplies relative to other packers' use of captive supplies affects prices the first packer pays for fed cattle; and (2) the relationship between captive supply delivery timing and spot market prices. Public release of findings in professional journals is expected shortly.

P&SP has four active cooperative agreements with universities for research. One of the projects (North Carolina State University) is examining the economic effects on poultry contract growers and integrators of alternative compensation methods, different layout times between flocks, and different asset requirements imposed on growers. In results released by the researchers, they suggest: payments to growers may be higher when growers are paid based on performance relative to other growers (tournament settlements) than when they are paid under fixed performance standards; and they found no evidence that integrators discriminate among growers when providing inputs to the growers. Some of the findings have been released by the authors in the *American Journal of Agricultural Economics* and the *European Review of Agricultural Economics*. Additional findings are forthcoming in the *Journal of Labor Economics*.

Another project (Texas A&M University) is examining relevant geographic markets for broiler grower services, and is estimating potential use of market power by integrators—no results are available. The third project (Texas A&M University) is evaluating whether a new analytical tool can contribute to understanding relationships between use of captive supplies and fed cattle prices. The researcher is examining reviewers' comments and no results are available. The fourth project (University of California-Davis and USDA's Economic Research Service) is examining how distance, transportation costs, use of captive supplies, and bidding methods affect competition in cattle procurement. In preliminary findings presented at a conference in August 2002, the authors reported that prices paid by packers may be less than prices predicted by a simulation model that the researchers developed to estimate the full value of the cattle.

Other Initiatives and Activities

GAO Investigation of Economic Models

GIPSA participated in a GAO investigation of USDA's economic models of cattle prices. The investigation focused on examining whether models that USDA uses to predict prices incorporate structural change. GIPSA does not use the types of economic models for predicting prices that were the central focus of the investigation. GAO noted that GIPSA has conducted research using different models to evaluate the effects of structural change on livestock prices.

Recruitment and Training

P&SP has been taking several steps to strengthen its capacity to efficiently and effectively monitor and investigate behavior in the livestock, meat, and poultry industries. P&SP recruited at annual conferences of the American Agricultural Economics Association and the Allied Social Science Associations. The Agency has participated in job fairs throughout the country and has made several trips to universities to recruit employees. The Agency also has actively participated in summer intern programs, including programs for minority and disadvantaged persons.

P&SP undertook a number of training initiatives in FY 2002. For example, all Competition Program economists and P&SP legal specialists attended investigation training in Chicago, Illinois. The training also included an orientation and visit to the Chicago Mercantile Exchange. Competition Program economists and P&SP legal specialists attended an antitrust law conference. P&SP economists took advanced training in the use of P&SP's chosen econometric and statistical software package to enhance their ability to conduct complicated econometric analyses. Members of Senior Management, Competition Unit Supervisors and Branch employees, and the Supervisory Legal Specialist held a retreat to examine the P&SP competition program. Discussions focused on the scope of the competition program, investigation direction and planning, and future program needs. Nearly all P&SP managers participated in management training in FY 2002, with most attending "Managing in a Performance Based Culture" presented by the Office of Personnel Management.

Stakeholder and Industry-Related Initiatives

P&SP personnel regularly attend and participate in meetings of industry associations at the local, State, and national levels to remain abreast of problems and concerns in the livestock, meat, and poultry industries, and to promote a better understanding of marketing options and constraints facing the industry. An increased presence at public meetings has enabled P&SP personnel to stay fully informed and has provided industry participants with more information on the activities of the Agency, more access to P&SP officials, and additional perspective about P&SP policy. Although P&SP's interactions with the industry cover a broad range of topics of interest, competition issues and changing business practices in the livestock, meat, and poultry industries are emphasized at most of the meetings.

Examples of P&SP participation in meetings and other interaction with stakeholders include:

- Resident Agents, in addition to maintaining direct contact with producers and growers, develop and maintain mutually beneficial relationships with State officials, to discuss areas of mutual concern, particularly in areas of overlapping jurisdiction.
- Senior P&SP staff members met with top officials of six leading beef packers to review the Captive Supply study GIPSA released in January 2002, discuss issues associated with measuring captive supplies, and review GIPSA's plans for improving the quality of the data.
- GIPSA works with the Council on Food, Agricultural, and Resource Economics (C-FARE). C-FARE is a non-profit organization that focuses on economic dimensions of public policy issues and organizes symposiums on emerging issues.
- GIPSA is represented on the Technical Advisory Committee of the Livestock Marketing Information Center (LMIC). The LMIC is a cooperative effort between university extension specialists, USDA economists, and industry cooperators. LMIC provides data and economic analyses and projections about issues and conditions concerning the livestock industry, contributes to economic education, and supports applied research projects and policy evaluation.

- GIPSA participates in the National Pork Producers Council, Pork Industry Ad Hoc committee of government, academic, and U.S. and Canadian industry representatives, formed to work on initiatives to combat and mitigate the low price of hogs. The committee encourages cooperative organizational action between members of the pork industry. Involvement exemplifies GIPSA commitment to anticipate and prepare for production trends.
- GIPSA is the lead USDA agency in providing support to the American Indian Higher Education Consortium (AIHEC) at Tribal Colleges and Land-Grant Universities. GIPSA's USDA Tribal College Liaison attended and participated in several national conferences of Native Americans. Several P&SP employees took part in the first ever site visit by USDA to the Navajo Nation in Arizona.